ITEM: 4 (Rev. 1)
AGENDA ID: 17487

ENERGY DIVISION **RESOLUTION E-5007**
September 12, 2019

R E S O L U T I O N

Resolution E-5007 approves, with adjustments, Energy Efficiency Savings and Performance Incentive awards for the four major California investor-owned utilities for program years 2016 and 2017.

PROPOSED OUTCOME:

- Approves $25,920,049 in total shareholder incentives
- Approves $12,051,754 in incentives for Pacific Gas and Electric Company
- Approves $10,574,269 in incentives for Southern California Edison Company
- Approves $2,675,481 in incentives for San Diego Gas & Electric Company
- Approves $618,545 in incentives for Southern California Gas Company

Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company's Energy Efficiency Savings and Performance Incentive payments are offset by the Risk/Reward Incentive Mechanism settlement funds due to ratepayers as a result of their agreements.[1]

SAFETY CONSIDERATIONS:

- This Resolution is not expected to have an impact on safety.

[1] The Risk/Reward Incentive Mechanism, adopted in 2007, rewarded or penalized utilities based on evaluated energy savings for 2006-2008 and subsequent program cycles. It was discontinued in 2013 with the adoption of the Efficiency Savings and Performance Incentive mechanism. See Decisions D.16-09-019 (Pacific Gas and Electric Company), D.16-10-008 (Southern California Edison Company), and D.17-03-003 (San Diego Gas & Electric Company and Southern California Gas Company).

ESTIMATED COST: This Resolution approves $25,920,049 in incentive payments ("awards") for implementing ratepayer-funded energy efficiency programs, to Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company.

By Advice Letters (AL) Pacific Gas and Electric Company 4044-G/5430-E, filed on November 20, 2018, and Southern California Edison Company 3901-E, San Diego Gas & Electric Company 3307-E/2722-G, and Southern California Gas Company 5386, filed on November 26, 2018.

SUMMARY

Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) are collectively referred to as investor-owned utilities (IOUs).

1) The California Public Advocates Office (Cal Advocates) Protest requesting the California Public Utilities Commission (Commission) to deny SoCalGas' 2017 awards and ask SoCalGas to return 2016 awards for Codes and Standards advocacy programs is denied.
2) This Resolution approves with adjustments each IOU's program year 2016 and partial 2017 Efficiency Savings and Performance Incentive (ESPI) awards. In 2019, the Commission will evaluate remaining 2017 energy savings and measures (ex-post) and award incentives.

The final incentives are detailed in Tables 1 and 2.

Table 1: Final ESPI Awards for 2016 and 2017

IOU	2016-2017 Awards Requested	Adjustment	2016-2017 Awards Approved
PG&E	$11,543,849	$507,905	$12,051,754
SCE	$11,038,265	($463,996)	$10,574,269
SDG&E	$2,640,414	$35,067	$2,675,481
SoCalGas	$655,624	($37,079)	$618,545

Table 2: Approved ESPI Awards per Component

Component	PG&E	SCE	SDG&E	SoCalGas
2016 Ex-Post Savings	$4,667,189	$4,460,393	$2,263,942	$1,136,886
2017 Ex-Ante Savings	$1,708,917	$1,947,142	$267,957	$188,272
2017 Ex-Ante Review Performance	$4,589,853	$3,249,622	$1,065,791	$626,844
2017 Codes & Standards	$1,839,268	$474,404	$109,303	$91,293
2017 Non-Resource	$615,426	$466,969	$184,111	$285,748
2016 Ex-Ante Savings True Up	$41,699	-	-	-
2016 EAR Performance True Up	($76,125)	($16,843)	($4,475)	($5,705)
2016 Codes & Standards True Up	($13,041)	($5,462)	($10,971)	($343)
2016 Non-Resource True Up	($16,009)	($1,956)	($11,960)	($4,451)
2017 EAR Performance True Up	$57,436	-	$1,913	-
2017 Codes & Standards True Up	-	-	$6,004	-
2017 Non-Resource True Up	$14,050	-	$3,867	-
Awards for Program Years 2016 and 2017	**$13,428,664**	**$10,574,269**	**$3,875,481**	**$2,318,545**
2006-2008 RRIM Adjustment[1]	($1,376,910)	-	($1,200,000)	($1,700,000)
Total Payment	**$12,051,754**	**$10,574,269**	**$2,675,481**	**$618,545**

BACKGROUND

This section summarizes the history of the ESPI mechanism and its predecessor, the Risk/Reward Incentive Mechanism (RRIM). It also summarizes the modified process adopted this year and how it differed from prior years.

2006 - 2008 Risk/Reward Incentive Mechanism (RRIM)

The IOUs were ordered to return $50,015,011 by three Decisions released in 2016 and 2017. To date the four IOUs have collectively returned $45,738,101 to ratepayers.

In Decision D.07-09-043, the Commission adopted the RRIM to motivate the IOUs to pursue energy efficiency as a core business strategy. Under the RRIM, utilities were rewarded or penalized based on evaluated energy savings for the 2006-2008 and subsequent program cycles.[2]

[2] Rulemaking (R.) 09-01-019. ALJ: Kevin R. Dudney (Assigned Oct 20, 2015), Commissioner: Carla Peterman (Assigned Nov 24, 2014)

Due to challenges associated with the RRIM, the Commission opened a new proceeding (R.12-01-005) in 2012 to consider reforms to the mechanism. Taking into consideration extensive discussions and feedback from stakeholders, the Commission decided to sunset the RRIM, eventually adopting the Efficiency Savings and Performance Incentive (ESPI) mechanism via D.13-09-023 in September 2013. Please see the section below for relevant working details of the ESPI mechanism.

In September 2015, the Commission re-examined three Decisions involving the shareholder incentives awards paid for program years 2006-2008 under the RRIM. In response to settlements among parties in the course of this re-examination, the Commission ordered the four IOUs to return portions of the RRIM incentive awards to ratepayers via offsets to the otherwise authorized ESPI incentive awards.[3] A summary of RRIM offsets and current balances due is provided in Table 3.

Table 3: Summary of RRIM Settlements

IOU	**Decision**	**Amount ordered for reimbursement**	**Balance remaining after the current payout**
PG&E	D.16-09-019	$29,115,011	$0
SCE	D.16-10-008	$13,500,000	N/A[4]
SDG&E	D.17-03-003	$3,700,000	$0
SoCalGas	D.17-03-003	$3,700,000	$0

[3] D.16-09-019, Ordering Paragraphs (OPs) 1-2; D.16-10-008, OPs 1-2; D.17-03-003, OPs 1-4

[4] In November 2016, SCE filed Advice Letter 3513-E for the purposes of their RRIM settlement, leaving a balance of $0.

2013 - Present Efficiency Savings and Performance Incentive (ESPI) Mechanism

D.13-09-023 adopted the ESPI mechanism. Later, D.15-10-028[5] updated the timelines for ESPI review to comply with the new energy efficiency planning, budget, and review processes adopted in the same Decision. The framework of the ESPI mechanism was otherwise retained.

The ESPI mechanism is a set of rules for calculating incentive awards intended to motivate IOUs to achieve their Commission-authorized energy savings goals by investing in energy efficiency programs as a core business strategy. Without such incentives, IOUs might instead devote scarce resources to supply-side procurement on which they earn a return.[6] By means of the ESPI mechanism, the IOUs are given annual monetary awards based on their portfolio performance in the areas of energy efficiency resource programs,[7] non-resource programs, [8] and codes & standards (C&S) advocacy programs. These awards are separate from the IOUs' authorized annual budgets and approved annual expenditures. They can be allocated toward capital projects or dividends. The budgets are authorized via Annual Budget Advice Letters typically submitted in September for the upcoming year.

The Commission's Utility, Audit, Finance and Compliance Branch (UAFCB) reviews each IOU's program year expenditures. The Commission approves ESPI awards based on audited expenditures, as well as approved energy efficiency program savings. The ESPI mechanism adopted in D.13-09-023 determines how these awards are to be calculated using the approved savings and expenditures, as described below.

Portfolio Categories for the ESPI Mechanism

A. **Energy Efficiency Resource Savings:** A performance award for net lifecycle resource program energy savings measured in MW, GWh and MMT. This

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[5] D.15-10-028, Appendix 5

[6] D.13-09-023 at page 86

[7] A resource program is an energy efficiency program that is intended to achieve and report quantified energy savings.

[8] A non-resource program is an energy efficiency program to which energy savings are not directly attributed, but which supports the energy efficiency portfolio through activities such as marketing, training and education, or emerging technology. See D.07-09-043, Section 9.1.

component is capped at 9% of the resource program budget, excluding funding dedicated to administrative activities, C&S advocacy programs, Evaluation, Measurement, and Verification (EM&V), and Community Choice Aggregators (CCAs)/Regional Energy Networks (RENs).

The energy savings of the portfolio are determined through a combination of ex-ante calculations (i.e., estimated savings pre-implementation) and ex-post calculations (i.e., evaluated savings post-implementation). Consequently, the energy savings performance award is a sum of ex-ante savings award and ex-post savings award. IOUs file for awards based on their ex-ante savings determination in the year following the program year (i.e., in 2018 for program year 2017) and based on their ex-post savings determination two years following the program year (i.e., in 2018 for program year 2016).

To determine which measures will be subject to evaluation and therefore come under ex-post calculations, the Commission annually releases the "Uncertain measures list"[9] prior to the start of the program year. The list of uncertain measures for program year (PY) 2017 was released by Commission Staff on December 22, 2016. Savings of measures that are not on the Uncertain measure list are determined using ex-ante savings estimates.

B. Ex-Ante Review (EAR) Process Performance: A performance award for IOUs' conformance to EAR standards of up to 3% of authorized resource program expenditures, excluding administrative costs.

The EAR performance award is the product of these expenditures and the total EAR performance score. Each IOU's total score is based on a performance review of their respective EAR activities in accordance with the metrics in Table 4.[10]

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[9] D.13-09-023, Section 7.3 defines uncertain measures as those measures for which Commission believes the net lifetime savings of the current database of energy efficiency resources (DEER) or non-DEER savings estimate may be as much as 50% or more under- or over-estimated. Conversely, measures that are not believed to be uncertain (Not Uncertain Deemed measures) in terms of anticipated savings do not undergo ex-post evaluation.

[10] D.16-08-019, Section 7.1

Table 4: Weights Adopted for the EAR Performance Metric Categories

Metric Category	Adopted Weighting
1. Timing and Timeliness of Submittals	10%
2. Content, Completeness, and Quality of Submittals	30%
3. Proactive Initiative of Collaboration	10%
4. Program Administrator's Due Diligence and Quality Assurance/Quality Control Effectiveness	25%
5. Program Administrator's Responsiveness to Needs for Process and Program Improvements	25%

C. **Codes and Standards (C&S) Advocacy Programs:** A management fee for the IOUs' advocacy of C&S. This award equals 12% of the authorized C&S advocacy program expenses, excluding administrative costs.

D. **Non-Resource Programs:** A management fee for implementing non-resource programs equal to 3% of the authorized non-resource program expenses, excluding administrative costs.

For the purposes of calculating the ESPI awards, program expenditures shall not exceed authorized budgets.

Per D.13-09-023, the IOUs must rely on public versions of UAFCB audit reports to determine the actual expenditures with which to calculate their incentive awards.

Modified Timeline of the 2018 ESPI Resolution

On April 20, 2018, an Assigned Commissioner's Ruling was issued for the 2016 Ex-Post and 2017 Ex-Ante Savings calculations.[11] It noted Commission contracting delays in 2017 resulting in Commission Staff lacking sufficient resources to undertake impact evaluation for program year 2016. The ruling directed Commission Staff to base their analysis on the application of the most appropriate recent (i.e., 2015) evaluated results to similar measures in 2016. Additionally, Commission Staff was directed to follow the same timeline and dispute resolution process for the ex-ante savings as the timeline and process conducted for the ex-post savings, as set forth in Attachment 6 of D.13-09-023 and updated in D.15-10-028.

[11] Assigned Commissioner's Ruling Regarding 2016 Ex-Post and 2017 Ex-Ante Savings ESPI (http://docs.cpuc.ca.gov/PublishedDocs/Efile/ G000/M213/K120/213120689.pdf)

With this direction, the Commission released 2017 ex-ante savings estimates along with the 2016 ex-post savings estimates in the Performance Statement Report.[12] SDG&E found exceptionally large errors in the report that needed correction and delayed the final Performance Statement report release.

NOTICE

Notice of PG&E AL 4044-G/5430-E, SCE AL 3901-E, SDG&E AL 3307-E/2722-G, and SoCalGas AL 5386 was made by publication in the CPUC's Daily Calendar. PG&E, SCE, SDG&E, and SoCalGas state that copies of their Advice Letters were mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

SoCalGas' Advice Letter 5386-G was protested.

On December 17, 2018 SoCalGas' Advice Letter 5386-G was timely protested by the California Public Advocates Office at the Commission (Cal Advocates). The Natural Resources Defense Council (NRDC) filed a Response to the Advice Letter.

SoCalGas responded to the Protest and Response of Cal Advocates and NRDC, respectively, on December 21, 2018.

In its Protest, Cal Advocates requests the Commission to deny SoCalGas' request for $91,293 in ESPI payments for its C&S advocacy programs in PY 2017. Cal Advocates also requests the Commission to true up SoCalGas' PY 2016 C&S advocacy programs award to $0 and require SoCalGas to return the entire $91,293 award for C&S advocacy authorized by Resolution E-4897 to ratepayers. Finally, it requests the Commission to instruct the UAFCB to investigate SoCalGas' request of $20,763 for energy savings associated with pre-2016 custom project installation dates to ensure its accuracy.

NRDC's Response requests the Commission to scrutinize SoCalGas' request for ESPI payments for its C&S advocacy work, given the unresolved concerns originally raised in Application (A).17-01-013 et al. through the Business Plan process.

SoCalGas, in its reply comments, argues that in D.18-05-041, the Commission declined to consider a penalty for SoCalGas' past conduct, but instead limited its role in future C&S advocacy programs. SoCalGas also argues that D.18-05-041 does not support

[12] Final 2016 Ex-Post and 2017 Ex-Ante Savings Adjustment Statement

adjudicating these issues through an ESPI Advice Letter. Finally, SoCalGas states that while its activities in certain instances did not support more stringent standards, its efforts were a) in accordance with the approved statewide program implementation plan, b) reflected SoCalGas concerns such as high costs to low-income customers and, c) were openly communicated.

No other Protests were filed to dispute the IOU-requested incentive award amounts.

DISCUSSION

2016 and 2017 Earnings Coefficients

This Resolution uses 2016 and 2017 approved Earnings Coefficients to calculate ESPI awards. The Commission finds that the IOUs are not consistent in assigning program categories for determining Earnings Coefficients across their Advice Letter filings.

The approved 2016 and 2017 Earnings Coefficients, or Rates, are shown in Table 5.

Table 5: 2016 and 2017 Statewide Earnings Coefficients

	2016	**2017**
Electricity ($/GWh)	$2,411	$2,368
Peak Demand: ($/MW)	$7,670	$7,549
Natural Gas: ($/MMTh)	$26,048	$25,106

Earnings Coefficients determine the rate at which the IOUs will be paid for each unit of energy or demand savings achieved. They are derived by dividing the IOUs' authorized resource program budgets by their Net Lifecycle Goals[13] and are submitted by the IOUs for Commission approval in a Tier 1 Advice Letter earlier in the annual process.

Once savings are finalized and approved in the Performance Statement Report, they are multiplied by the Earnings Coefficients to determine the resource savings award component. Earnings Coefficients only affect the resource savings award component.

The Earnings Coefficients for PY 2016 (used to calculate the 2016 ex-post Resource savings award) were finalized in 2017 via approval of a joint Tier 1 Advice Letter filed

[13] D.15-10-028, Section 3.1

by the California IOUs.[14] The Earnings Coefficients for PY 2017 were finalized in 2018 via approval of a similar joint Tier 1 Advice Letter.[15]

In their Earnings Coefficient Advice Letters, PG&E and SDG&E used the original program categories as approved in their Annual Budget Advice Letters while SCE and SoCalGas used their revised program categories as the programs changed during implementation.[16,17] The ESPI Advice Letters also included new programs that were not in the Annual Budget Advice Letters. Energy Division Staff will work with the Assigned Commissioner Office and Assigned Administrative Law Judge to determine how to clarify which program categories should be used by IOUs to compute annual Earnings Coefficients, considering recent changes to fund-shifting rules that do not require IOUs to seek approval for moving budgets among programs.[18]

Resource Programs with No Reported Savings

Finance Programs are categorized as resource programs per D.13-09-023. The collective IOU budget of Finance programs in 2017 was almost $13 million, but they have reported no savings since the first program was approved in 2006. There were at least five approved resource programs in 2017 that also reported no expenditures, shown in Table 6.

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[14] 2016 ESPI Earnings Coefficients and Caps

[15] 2017 ESPI Earnings Coefficients and Caps

[16] 2017 Annual Budget Advice Letters: PG&E's 3753-G-D / 4901-E-D, SCE's 3465-E-B, SDG&E's 2951-E-A/2512-G-A, and SoCalGas' 5023-A

[17] SoCalGas submitted Program ID SCG3701 (Residential Energy Advisor) as a resource program in their Coefficient Advice Letter, which was approved as a non-resource program in their Annual Budget Advice Letter (authorized budget of $757,889). The program category changed in 2017 upon approval of SoCalGas' Seasonal Savings Program through Advice Letter 5204-G, effective November 18, 2017, which identified that resource program activity would be an element of, and funded by, the existing residential energy advisor program, SCG3701.

SCE submitted Program ID SCE 13-SW-004A as a non-resource program in their Coefficient Advice Letter, which was approved as a resource program in their Annual Budget Advice Letter (authorized budget of $2,050,122). SCE's program was identified in 2015 by ED staff as not achieving savings due to only offering pump testing within the program.

[18] D.15-10-028 OP 18 modifies fund-shifting rules established in D.12-11-015 OP 2 and 20.

Table 6: Resource Programs Without Reported Expenditures or Savings

ProgramID	Program Name	2017 Budget
SCE-13-L-002C	City of Redlands Energy Leader Partnership	$221,128
SCE-13-L-002D	City of Santa Ana Energy Leader Partnership	$162,159
SDGE3215	SW-COM-Strategic Energy Management	$275,034
SCG3810	RES-AB793-REMTS Program	$363,000
SCG3809	COM-AB793-CEMTL Program	$595,000

Due to being categorized as resource programs, the budgets of Finance and other no-savings resource programs increase the Earnings Coefficient and Award Caps for the IOUs. Although D.13-09-023 stated that the incentives for Finance programs would be based around a uniquely designed component, the Commission has not yet designed the component.[19] As such, the budgets of all resource programs were used in the calculation of Earnings Coefficients and Award Caps this year. Energy Division will continue to work with the Assigned Commissioner Office and Assigned Administrative Law Judge to understand the cause of programs reporting no savings and whether they deserve different treatment in the ESPI mechanism.

2016 and 2017 Award Caps

The IOUs are within their award caps in the four different incentive categories.

The Award Cap for each category is a percentage of the authorized budget for that category. If the approved expenditures are less than the previously authorized budget for that category, the expenditures are used to calculate the award (which will be less than the cap).[20]

As discussed under “2016 and 2017 Earnings Coefficients,” the budgets of resource programs are currently included in the calculation of Award caps for the IOUs even if the programs result in no savings.

The 2016 Award Caps[21] are provided in Table 7 below.

[19] D.13-09-023, Footnote 25

[20] D.13-09-023, Attachment 1

[21] 2016 ESPI Earnings Coefficients and Caps

Table 7: 2016 Award Caps by Category and IOU ($)

	Resource Savings (9% of resource program budget)	EAR Performance (3% of resource program budget)	Codes & Standards (12% of C&S program budget)	Non-Resource (3% of non-resource program budget)
PG&E	$27,457,245	$9,152,415	$1,752,163	$709,323
SCE	$20,966,541	$6,988,847	$581,031	$788,930
SDG&E	$8,193,593	$2,731,198	$110,875	$288,590
SoCalGas	$4,904,746	$1,634,915	$91,293	$392,899

The 2017 Award Caps[22] are provided in Table 8 below.

Table 8: 2017 Award Caps by Category and IOU ($)

	Resource Savings (9% of resource program budget)	EAR Performance (3% of resource program budget)	Codes & Standards (12% of C&S program budget)	Non-Resource (3% of non-resource program budget)
PG&E	$26,374,389	$8,791,463	$1,973,606	$908,786
SCE	$21,863,178	$7,287,726	$671,252	$678,887
SDG&E	$8,567,851	$2,855,950	$109,303	$248,726
SoCalGas	$4,911,369	$1,637,123	$91,293	$376,441

Ex-Ante Review (EAR) Performance Scores

The EAR Process Performance award is determined by multiplying the IOUs' annual performance scores for custom projects and workpaper processes with 3% of their approved resource program expenditures (excluding administrative costs). Pursuant to D.16-08-019, the EAR Performance scores are weighted by the contributions of workpaper and custom projects to net lifecycle savings.

Twice each year, the Commission provides feedback to the IOUs on their EAR process performance by issuing midyear and final performance memos. Midyear performance

[22] 2017 ESPI Earnings Coefficients and Caps

memos were not issued for PY 2017. Final 2017 performance memos were released on March 26, 2018.[23] However, the scores were not weighted at that time.

In previous years, workpaper or "deemed" and custom EAR performance scores were equally weighted at 50 percent; the total performance score was a simple addition of deemed and custom EAR performance scores. D.16-08-019 ordered that ESPI scores be weighted based on the proportion of deemed savings measures and custom measures in each utility's portfolio.[24] To correctly apply the intent of the decision, Commission Staff has amended the 2017 EAR scores by applying weights to the deemed and custom EAR performance scores based on their respective proportions of net lifecycle savings (including market effects).

Methodology to calculate weighted EAR performance scores

Commission Staff used the savings reported in kWh and therms in the 2017 ex-ante savings workbook,[25] filtered to exclude C&S advocacy, non-resource, audit, and database of energy efficiency resources (DEER) measures. Although D.16-08-019 says to count savings from normalized metered energy consumption (NMEC) programs in the custom category until they exceed ten percent of the portfolio,[26] we did not change the category of any measures as the NMEC programs did not claim savings in 2017 and any custom NMEC projects are marked as custom.[27]

We included both kWh and therm savings for PG&E and SDG&E, but only included kWh savings for SCE and therm savings for SoCalGas. In order to sum the savings of both units, we converted kWh and therms to MMBtu using the equation:

$$MMBtu = \frac{(kWh * 3{,}413) + (therms * 100{,}000)}{1{,}000{,}000}$$

We calculated each IOU's weighted EAR performance score using the equation:

$$EAR\ Performance\ Score = (\beta_D \times EAR_D + \beta_C \times EAR_C) \times 2$$

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[23] 2017 ESPI EAR Performance Memos

[24] D.16-08-019, OP 19

[25] 2017 Final Ex-Ante Workbook – Savings

[26] D.16-08-019, Section 7.2

[27] For data and calculations, see CPUC ESPI website, "2017 EAR Performance Score Weighting."

Where:

$\beta_D \coloneqq percentage\ of\ portfolio\ savings\ from\ deemed\ measures$

$\beta_C \coloneqq percentage\ of\ portfolio\ savings\ from\ custom\ measures$

$EAR_D \coloneqq EAR\ score\ for\ deemed\ measures$

$EAR_C \coloneqq EAR\ score\ for\ custom\ measures$

The deemed and custom scores are multiplied by 2 (or 100/50) in the above equation as they are each out of 50 points and need to be weighted out of 100 points.

In the future, Commission Staff will continue to release deemed and custom EAR performance scores in the final EAR performance memos by March 31st of each year. For use in their ESPI advice letters, the IOUs should calculate weighted total EAR performance scores using the methods described above, and based on the Commission Staff's ex-ante workbook, if available. If the ex-ante workbook is not yet available, the IOUs should base their calculations on their own ex-ante savings data as uploaded into CEDARS and the Energy Division Central Server on May 1st of each year.

Table 9 shows the IOUs' 2017 deemed, custom, and total weighted scores.

Table 9: 2017 EAR Performance Scores

IOU	Deemed Score (%)	Custom Score (%)	Total Weighted Score (%)
PG&E	33.63	33.96	67.70
SCE	20.59	39.55	52.63
SDG&E	21.37	30.18	47.29
SoCalGas	19.85	26.49	45.59[28]

[28] This score was changed from 45.51 in the final Resolution after SoCalGas submitted evidence that the Seasonal Savings and Savings by Design Programs flagged as audit programs in the 2017 EAR Performance Score Weighting workbook were actually custom programs. Counting them as custom programs increased β_C in SoCalGas' EAR performance score equation.

Commission Adjustments of ESPI Awards

This Resolution modifies the total award requested by each IOU by adjusting ESPI Advice Letter filings to align with official claims data filed in California Energy Data and Reporting System (CEDARS)[29], errors from 2016 and 2017, recommendations from the UAFCB audit report, and weighted EAR performance scores.

The original submissions from the IOUs as well as workbooks showing the Commission's adjustments to energy savings values and program expenditures are available on the Commission's ESPI website.[30] The adjustments are explained below.

1) Summary of Adjustments to Ex-Post Energy Savings Data

This Resolution makes the following adjustments to the 2016 ex-post savings awards, as previously published in the Commission Staff Performance Statement Report[31]:

i. Application of Evaluation Contractor Proposed Ex-Post Modifications (statewide ESPI payment impact: a reduction of $6,915,912)

ii. Removal of pre-2016 installed measures in 2016 claims, with an exception of 2015 non-small Custom Projects (statewide ESPI payment impact: a reduction of ~~$1,994,536~~ **$1,973,773**). SoCalGas' Advice Letter proposed an increase of $20,763 that the Performance Statement had denied on the basis that those savings were already reported in 2015. Staff considered the evidence and accepted the adjustment.

iii. Adjustment of Industrial/ Agriculture/ Large Commercial (IALC) claims to utilize 2015 Ex-Post Results (statewide ESPI payment impact: a reduction of $929,092)

iv. Adjustment of Energy Advisor Home Energy Report savings (statewide ESPI payment impact: a reduction of $1,348,969)

v. Adjustment of Energy Upgrade California claims (SoCalGas ESPI payment impact: a reduction of $54,437)

[29] CEDARS is the Commission's online filing system for receiving various compliance filings.

[30] CPUC ESPI website, "2017 Final Ex-Ante Workbook – Expenditures"

[31] Final 2016 Ex-Post and 2017 Ex-Ante Savings Adjustment Statement

vi. Reduction of Negative Therm Impacts for Indoor Lighting HVAC Interactive Effects (statewide ESPI payment impact: an increase of $14,462)

vii. Allowance of SoCalGas's request for exception to claim savings for four custom projects (SoCalGas ESPI payment impact: an increase of $91,257)

viii. Adjustment of Total Evaluator "All Things Recorded" File Claims to Account for Measure Reclassification from Resolution E-4897 2016 ESPI PY+1 payment: (statewide ESPI payment impact: an increase of $2,271,312, plus an added $41,699 2016 PY+1 deemed payment increase for PG&E)

The Uncertain Measure List[32] for 2017 was greatly expanded in comparison to previous program years. This expansion resulted in many measures classified as not uncertain in PY 2016 to being uncertain for PY 2017. This greatly reduced the ex-ante savings for PY 2017 (PY+1). It means that the ex-post savings for PY 2017 (PY+2) will likely be greatly increased next year.

2) Summary of Adjustments to 2017 Ex-Ante Energy Savings Data

Typically, the Commission reviews and finalizes the IOUs' ex-post savings in the Performance Statement report, which is issued prior to the filing of the Advice Letters of which this Resolution is disposing. The ex-ante savings estimates are filed by the IOUs with their Advice Letters and reviewed by the Commission as part of this Resolution.

This year, to streamline the overall process, the Commission issued its assessment of the program year 2017 ex-ante savings along with the ex-post savings in the Performance Statement Report.

This Resolution makes the following adjustments to energy savings values used to calculate the 2017 ESPI ex-ante savings awards, as previously published in the Commission Staff Performance Statement Report[33]:

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[32] D.13-09-023, Section 7.3 defines uncertain measures as those measures for which Commission believes the net lifetime savings of the current database of energy efficiency resources (DEER) or non-DEER savings estimate may be as much as 50% or more under- or over-estimated. Conversely, measures that are not believed to be uncertain (Not Uncertain Deemed measures) in terms of anticipated savings do not undergo ex-post evaluation.

[33] Final 2016 Ex-Post and 2017 Ex-Ante Savings Adjustment Statement

i. Application of Accelerated Replacement, Normal Replacement, Add-On Equipment, and Behavioral, Retrocommissioning and Operational policy (statewide ESPI payment impact: a reduction of $171,448)

ii. Removal of pre-2017 installed measures in 2017 claims policy (statewide ESPI payment impact: a reduction of $146,239)

iii. Proper application of net-to-gross values (statewide ESPI payment impact: a reduction of $7,376)

iv. Observation 1: Proper application of net-to-gross values (no payment adjustments)

v. Observation 2: Proper application of Commission direction for schools that allows only above code measures to be claimed (no payment adjustments)

vi. Observation 3: Proper assignment of behavioral, retro-commissioning and operational measure application types (no payment adjustments)

3) 2017 Eligible Expenditures

a) Reconciliation of ESPI Advice Letters and CEDARS filings

Commission Staff relied on the official annual CEDARS filings as the main source for reviewing expenditures.

Commission Staff issued the 2018 ESPI Guidelines on June 6, 2018. The Guidelines included a spreadsheet template for the IOUs to use for filing their annual expenditures. The Commission reviewed the attachments for completeness and compared the expenditures to the IOUs' official expenditures reported in the Annual Claims submittal via CEDARS.[34]

- **PG&E: Advice Letter filings were $1,225 lower than their annual CEDARS filing.** PG&E followed the 2018 ESPI Guidelines in their ESPI Advice Letter attachment.
- **SCE: Advice Letter and annual CEDARS filings matched**. SCE followed the Guidelines in their 2018 ESPI Advice Letter attachment, except that their

[34] The CEDARS program expenditures came from the program cost table and the incentives came from the claim table in the 2017 CEDARS database.

attachment was missing some columns from the template. They later submitted a complete version that did not affect their award request. [30]

- **SDG&E: Advice Letter filings were originally $357,417 lower than their annual CEDARS filing, and omitted 2017 expenditures funded from prior budget years.** SDG&E submitted revised expenditures to correct these problems at the Commission's request during the drafting of this Resolution. These revised expenditures were higher than their CEDARS filing by $3,828,048. The Performance Statement report relied on the CEDARS filing to scrutinize SDG&E's savings claims, so to remain consistent with the approved savings claims we used the official annual CEDARS claims to calculate SDG&E's 2017 ESPI award.
- **SoCalGas: Advice Letter filings were $88,752 lower than their annual CEDARS filing.**

The eligible expenditures are determined by summing expenditures that occurred in 2017 for attaining 2017 and some pre-2017 savings as approved in the Performance Statement Report.[35] The budget year from which the expenditure is funded does not affect expenditure approval provided a) the claims are from PY 2014 and onward[36] and b) the expenditures did not exceed the authorized budget.

The eligible expenditures accepted by the Commission prior to other necessary exclusions are shown in Table 10 below. This is followed by a discussion on the other exclusions.

Table 10: 2017 Eligible Expenditures Prior to Adjustments

	PG&E	SCE	SDG&E	SoCalGas
2017 Resource Expenditures	$231,575,986	$205,831,828	$78,165,601	$47,784,341
2017 C&S Expenditures	$15,327,236	$3,953,363	$1,101,074	$931,572

[35] For certain situations such as a) large Custom projects that commence towards the close of the year and require extensive post-implementation measurement and verification, or b) joint IOU projects that provide evidence of unavoidable delays for accurate reporting, the Commission has allowed IOUs to claim savings after their initial reporting and approved them on a case-by-case basis.

[36] D.13-09-023, OP 6

2017 Non-Resource Expenditures	$20,514,186	$15,565,627	$6,137,018	$9,528,862

The IOUs must inform the Commission Staff at the time of filing their ESPI advice letters, if any information sought in the template will result in a discrepancy between their Advice Letter filings and their official annual CEDARS filing.

b) Exclusions from award calculations - Statewide Marketing Education & Outreach (ME&O), Community Choice Aggregators (CCAs)/Regional Energy Networks (RENs), Evaluation Measurement and Verification (EM&V), and On-bill Financing (OBF) Loan Pool

No adjustments by the Commission were necessary.

All IOUs properly excluded expenditures related to Statewide ME&O,[37] CCA/RENs, EM&V,[38] and OBF Loan Pool from their award calculations.

c) Expenditures over the Commission-established hard and soft caps

The Commission has set a 10% hard cap for administrative costs, a 6% soft cap for ME&O costs, and a 20% target for Direct Implementation Non-Incentive (DINI)[39] costs. **No IOUs exceeded the hard cap on administrative costs. All IOUs besides SCE exceeded the DINI cost target, and SoCalGas also exceeded the ME&O cost soft cap. Expenditures in excess of the caps and target were denied for award calculation.**[40] Table 11 shows the IOUs' expenditure percentages in these cost categories.

Table 11: 2017 Category Expenditures as a Percentage of Total Expenditures

	PG&E	**SCE**	**SDG&E**	**SoCalGas**
Administrative Cap (10%)	9%	5%	7%	7%
DINI Target (20%)	27%	14%	34%	30%

[37] D.13-12-028 at 94; Resolution E-4897 at 12

[38] D.13-09-023, OP 3

[39] DINI costs have also been referred to as "Implementation – Customer Services" and "Non-Incentive and Rebates Budget for program delivery."

[40] Details of these calculations can be found on the CPUC ESPI website, "2017 Final Ex-Ante Workbook – Expenditures," 'Adjusted DINI ME&O' worksheet.

ME&O Soft Cap (6%)	5%	3%	2%	7%

Table 12 shows the final expenditure amounts approved and used in the award calculations.

Table 12: 2017 Authorized Expenditures Used for Award Calculation

	PG&E	SCE	SDG&E	SoCalGas
2017 Resource Expenditures	$225,974,016	$205,831,828	$75,117,533	$45,833,210
2017 C&S Expenditures	$15,327,236	$3,953,363	$1,101,074	$931,572
2017 Non-Resource Expenditures	$20,514,186	$15,565,627	$6,137,018	$9,524,942

Since the RRIM and throughout prior budget cycles, the Commission has addressed overspending on ME&O and DINI expenditures and has required the utilities to minimize their non-incentive expenditures to achieve the 20% DINI cost target.[41] While the Commission has allowed over-expenditures in these two categories, it does not intend to reward the IOUs based on these excess expenditures. Therefore, we remove any excess ME&O expenditures (over 6%) and non-exempted DINI expenditures (over 20%) from the total program expenditures, and exclude the excess expenditures from earning shareholder incentive awards.

The current ESPI mechanism does not provide an insight into whether certain programs show larger energy savings as a result of higher ME&O and DINI expenditures.

d) Inclusion of expenditures for resource programs without savings

SDG&E excluded expenditures for resource programs that did not achieve savings from their award request. There is no prior Commission guidance on how to treat expenditures for resource programs with no savings for the ESPI mechanism. For consistency with the other IOUs, Commission Staff added back SDG&E's full expenditures for all resource programs as filed in their Authorized Budget Advice Letter and in CEDARS. Energy Division will work with the Assigned Commissioner Office and Assigned Administrative Law Judge to understand the cause of resource

[41] D.09-09-047, Section 1; D.12-11-015, Section 6.2

programs reporting no savings and whether their expenditures deserve different treatment in the ESPI mechanism.

4) True ups based on the 2016 Audit Reports

The IOUs submitted their ESPI Advice Letters, which largely accepted the recommendations from the 2016 Audit reports. Where the ESPI Advice Letters differed from the audit reports, staff verified and corrected the discrepancies based on discussions with IOUs and UAFCB staff.

In August 2018, the Utility Audit, Finance and Compliance Branch (UAFCB) issued the 2016 energy efficiency audit reports.[42] The IOUs are responsible for addressing the audit report findings in their ESPI Advice Letters and all IOUs followed this protocol.

SCE and SDG&E's ESPI Advice Letters, however, demonstrated disagreements or confusion with the audit report findings. This resulted in additional time and resources being spent by both the IOUs and Commission Staff to resolve the discrepancies. SDG&E's issue had also not been raised with the UAFCB staff during the development and finalization of the audit reports.

Commission Staff resolved the discrepancies during the ESPI process this year. In future years, however, the IOUs shall raise all concerns with the UAFCB Audit reports during the stakeholder review process that results in the final reports. Concerns will not be investigated within the Resolution.

The net present value of the audit adjustments together with other 2016 true ups were calculated considering each IOU's respective authorized weighted average cost of capital.[43]

5) Weighting of Ex-Ante Review performance scores

As described in the Discussion section's Ex-Ante Review (EAR) Performance Scores subsection above, Commission Staff applied weights to the custom and deemed EAR performance scores based on their respective proportions of net lifecycle savings

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[42] UAFCB used data from the Commission's Energy Efficiency Statistics website, ("EE Stats"). For program years for which official annual claims data are available in CEDARS, UAFCB is encouraged to use those instead of EE Stats reports for annual utility energy efficiency audits.

[43] PG&E 8.06%, SCE 7.90%, SDG&E 7.79%, SoCalGas 8.02%

(including market effects), before adding these to calculate the 2017 total EAR performance scores. Compared to the total scores provided in the final EAR performance memos and used in the IOUs' ESPI Advice Letters, the weighted total scores were lower for SCE, SDG&E, and SoCalGas, and <1% higher for PG&E.

IOU-Specific Adjustments

We provide an IOU-specific breakdown of adjustments and explanation below.

1. Pacific Gas and Electric (PG&E)

The Commission approves an incentive amount of $12,051,754 for PG&E, which is $507,905 more than their requested amount of $11,543,849.

PG&E requests a performance award of $11,543,849 in their 2018 ESPI Advice Letter as detailed below. PG&E's annual CEDARS filing was higher by $1,225 than their ESPI Advice Letter. **The Commission Staff used the CEDARS filing to calculate the awards.**

1.1 Energy Efficiency Resource Savings

- 2016 Ex-Post Energy Savings

ESPI Component	2016 Cap*	Requested	Approved
2016 Ex-Post Savings	$21,090,429	$4,667,189	$4,667,189

*2016 Savings award Cap minus 2016 Ex-Ante Savings Awards Earned in 2017

- 2017 Ex-Ante Energy Savings

ESPI Component	2017 Cap	Requested	Approved
2017 Ex-Ante Savings	$25,194,103	$1,708,917	$1,708,917

1.2 Ex-Ante Review (EAR) Process Performance

PG&E's award was reduced by the excess DINI expenditures (see section 3) c). PG&E's 2017 EAR Performance score was weighted by their deemed and custom savings (see section 5).

ESPI Component	2017 Cap	Requested	Approved
2017 EAR Performance	$8,398,034	$4,695,641	$4,589,853

1.3 Codes and Standards (C&S) Advocacy Programs

PG&E's award was accepted as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 C&S Advocacy	$1,973,606	$1,839,268	$1,839,268

1.4 Non-Resource Programs

PG&E's award was accepted as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 Non-Resource	$908,786	$615,426	$615,426

1.5 True Ups

Component	Requested	Approved
2016 Ex-Ante Savings True Up	($579,741)	$41,699
2016 EAR Performance True Up	($70,447)	($76,125)
2016 Codes & Standards True Up	($12,068)	($13,041)
2016 Non-Resource True Up	($14,815)	($16,009)
2017 EAR Performance True Up	$57,339	$57,436
2017 Non-Resource True Up	$14,050	$14,050
2017 Codes & Standards True Up	-	-
2006-2008 RRIM Adjustment	($1,376,910)	($1,376,910)

The 2016 ex-ante savings true up results from a correction to the award granted in Resolution E-4897, shown in Appendix A of the Energy Division's Final 2018 ESPI Performance Statement Report.[44]

The 2016 true ups include PG&E's weighted average cost of capital.

PG&E proposed a true up to their 2017 EAR Performance Expenditures and their 2017 Non-Resource Expenditures based on finding 1 in the UAFCB report. Finding 1 stated

[44] Final 2016 Ex-Post and 2017 Ex-Ante Savings Adjustment Statement

that PG&E incorrectly recorded $3,296,123 in PY2016 prepaid expenditures belonging to 2017. The Commission approves this adjustment. PG&E's 2017 EAR Performance true up used the weighted EAR performance score.

With this year's RRIM adjustment of $1,376,910, PG&E completes the payment of their RRIM settlement amount that they started in Resolutions E-4807 and E-4897.

PG&E's final 2018 award values including all adjustments are shown below:

Table 13: PG&E 2018 ESPI Awards

Component	Requested	Approved
2016 Ex-Post Savings	$4,667,189	$4,667,189
2017 Ex-Ante Savings	$1,708,917	$1,708,917
2017 Ex-Ante Review Performance	$4,695,641	$4,589,853
2017 Codes & Standards	$1,839,268	$1,839,268
2017 Non-Resource	$615,426	$615,426
2016 Ex-Ante Savings True Up	($579,741)	$41,699
2016 EAR Performance True Up	($70,447)	($76,125)
2016 Codes & Standards True Up	($12,068)	($13,041)
2016 Non-Resource True Up	($14,815)	($16,009)
2017 EAR Performance True Up	$57,339	$57,436
2017 Codes & Standards True Up	-	-
2017 Non-Resource True Up	$14,050	$14,050
Award for PY 2016 and 2017	**$12,920,759**	**$13,428,664**
2006-2008 RRIM Adjustment	($1,376,910)	($1,376,910)
Total Payment	**$11,543,849**	**$12,051,754**

2. Southern California Edison (SCE)

The Commission approves an incentive amount of $10,574,269 for SCE, which is $463,996 less than their requested amount of $11,038,265.

SCE's submitted program savings and expenditures were both modified based on the adjustments listed earlier. **SCE's ESPI Advice Letter matched their CEDARS filing.**

SCE requests $11,038,265 in their 2018 ESPI Advice Letter as detailed below:

1.1 Energy Efficiency Resource Savings

- 2016 Ex-Post Energy Savings

ESPI Component	2016 Cap*	Requested	Approved
2016 Ex-Post Savings	$14,244,395	$4,460,393	$4,460,393

*2016 Savings award Cap minus 2016 Ex-Ante Savings Awards Earned in 2017

- 2017 Ex-Ante Energy Savings

ESPI Component	2017 Cap	Requested	Approved
2017 Ex-Ante Savings	$21,115,891	$1,947,142	$1,947,142

1.2 Ex-Ante Review (EAR) Process Performance

SCE's 2017 EAR Performance score was weighted by their deemed and custom savings (see section 5).

ESPI Component	2017 Cap	Requested	Approved
2017 EAR Performance	$7,038,630	$3,713,618	$3,249,622

1.3 Codes and Standards (C&S) Advocacy Programs

SCE's award is approved as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 C&S Advocacy	$671,252	$474,404	$474,404

1.4 Non-Resource Programs

SCE's award is approved as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 Non-Resource	$678,887	$466,969	$466,969

1.5 True Ups

Component	Requested	Approved
2016 Ex-Ante Savings True Up	-	-
2016 EAR Performance True Up	($16,843)	($16,843)
2016 Codes & Standards True Up	($5,462)	($5,462)
2016 Non-Resource True Up	($1,956)	($1,956)
2006-2008 RRIM Adjustment	-	-

SCE disagreed with finding 2 in the UAFCB report and requested that a subset of expenditures from the UAFCB true up be included in the basis for its ESPI award, as the expenditures were paid in 2016 and comply with the Commission direction from E-4897. This adjustment would result in a net increase of $235,724 to the ESPI award ($94,216 to the 2016 Non-Resource true up and $141,508 to the 2016 C&S advocacy programs true up). The Commission agrees that SCE can claim expenditures for activities committed to in years prior to 2016 with the work completed and paid for in 2016. Therefore, the Commission accepts this adjustment.

The 2016 true ups include SCE's weighted average cost of capital.

SCE's final 2018 award values including all adjustments are shown below:

Table 14: SCE 2018 ESPI Awards

Component	Requested	Approved
2016 Ex-Post Savings	$4,460,393	$4,460,393
2017 Ex-Ante Savings	$1,947,142	$1,947,142
2017 Ex-Ante Review Performance	$3,713,618	$3,249,622
2017 Codes & Standards	$474,404	$474,404
2017 Non-Resource	$466,969	$466,969
2016 Ex-Ante Savings True Up	-	-
2016 EAR Performance True Up	($16,843)	($16,843)
2016 Codes & Standards True Up	($5,462)	($5,462)
2016 Non-Resource True Up	($1,956)	($1,956)
Award for PY 2016 and 2017	**$11,038,265**	**$ 10,574,269**
2006-2008 RRIM Adjustment	-	-
Total Payment	**$11,038,265**	**$10,574,269**

3. San Diego Gas & Electric (SDG&E)

The Commission approves an incentive amount of $2,675,481 for SDG&E, which is $35,067 more than their requested amount of $2,640,414.

For 2016, SDG&E exceeded their portfolio budget by $12,786,111, and these excess expenditures were excluded from ESPI award calculations.

SDG&E's submitted program savings and expenditures were both modified based on the adjustments listed earlier. SDG&E's Advice Letter attachment and CEDARS filings had omissions and errors. During discussions leading to this Resolution, Commission Staff clarified that 2017 expenditures associated with 2017 savings (as approved in the 2018 Final Performance Statement) from pre-2017 budgets were eligible for ESPI funding. Consequently, SDG&E submitted additional expenditures for the Commission's review, but these expenditures were not associated with approved savings from the Performance Statement Report (which used CEDARS official claims data). Therefore, they could not be included in the ESPI award. **The Commission Staff used the official annual CEDARS filing to calculate the awards.**

In the future, SDG&E (and other IOUs) should report all eligible savings and program year expenditures in CEDARS. Commission Staff appreciates SDG&E's quick turnaround time in addressing the discrepancies identified by staff in finalizing this Resolution.

SDG&E requests $2,640,414 in their 2018 ESPI Advice Letter as detailed below:

1.1 Energy Efficiency Resource Savings

- 2016 Ex-Post Energy Savings

ESPI Component	2016 Cap*	Requested	Approved
2016 Ex-Post Savings	$5,936,221	$1,104,315	$2,263,942

*2016 Savings award Cap minus 2016 Ex-Ante Savings Awards Earned in 2017

In their request, SDG&E split the 2016 ex-post energy savings amount recommended by the CPUC Final Performance Statement between this award and the 2016 ex-ante savings true-up award. We award the full amount here.

- 2017 Ex-Ante Energy Savings

ESPI Component	2017 Cap	Requested	Approved
2017 Ex-Ante Savings	$6,702,301	$267,957	$267,957

1.2 Ex-Ante Review (EAR) Process Performance

SDG&E's award was reduced by the excess DINI expenditures (see section 3) c). SDG&E's 2017 EAR Performance score was weighted by their deemed and custom savings (see section 5).

ESPI Component	2017 Cap	Requested	Approved
2017 EAR Performance	$2,234,100	$1,023,604	$1,065,791

SDG&E excluded expenditures for resource programs that did not achieve savings. For consistency with the other IOUs, we have added back the full expenditures for all resource programs as filed in their Authorized Budget Advice Letter filing.

1.3 Codes and Standards (C&S) Advocacy Programs

ESPI Component	2017 Cap	Requested	Approved
2017 C&S Advocacy	$109,303	$109,303	$109,303

SDG&E's award was approved as requested.

1.4 Non-Resource Programs

SDG&E's award was calculated using the CEDARS approved expenditures.

ESPI Component	2017 Cap	Requested	Approved
2017 Non-Resource	$248,726	$196,882	$184,111

1.5 True Ups

Component	Requested	Approved
2016 Ex-Ante Savings True Up	$1,159,627	-
2016 EAR Performance True Up	-	($4,475)
2016 Codes & Standards True Up	($10,178)	($10,971)
2016 Non-Resource True Up	($11,096)	($11,960)
2017 EAR Performance True Up	-	$1,913
2017 Codes & Standards True Up	-	$6,004
2017 Non-Resource True Up	-	$3,867
2006-2008 RRIM Adjustment	($1,200,000)	($1,200,000)

SDG&E's request for a 2016 ex-ante savings true-up award is denied as the amount is included in their 2016 ex-post energy savings award.

In discussions with Commission Staff, SDG&E explained that they omitted the 2016 EAR performance true up because the UAFCB audit report did not specify whether its recommended adjustments were administrative costs or in other cost categories. Commission Staff obtained clarification from UAFCB that all the adjustments were in the Direct Implementation category, meaning they impact the ESPI payment.[45] Therefore, the audit report Finding 1 ($276,450 expenditure adjustment) was taken in resulting in the 2016 and 2017 true ups. SDG&E's 2017 EAR Performance true up used the weighted EAR performance score.

The 2016 true-ups include SDG&E's weighted average cost of capital.

SDG&E's final 2018 award values including all adjustments are shown below:

Table 15: SDG&E 2018 ESPI Awards

Component	Requested	Approved
2016 Ex-Post Savings	$1,104,315	$2,263,942
2017 Ex-Ante Savings	$267,957	$267,957
2017 Ex-Ante Review Performance	$1,023,604	$1,065,791
2017 Codes & Standards	$109,303	$109,303
2017 Non-Resource	$196,882	$184,111
2016 Ex-Ante Savings True Up	$1,159,627	-
2016 EAR Performance True Up	-	($4,475)
2016 Codes & Standards True Up	($10,178)	($10,971)
2016 Non-Resource True Up	($11,096)	($11,960)
2017 EAR Performance True Up	-	$1,913
2017 Codes & Standards True Up	-	$6,004
2017 Non-Resource True Up	-	$3,867
Award for PY 2016 and 2017	**$3,840,414**	**$3,875,481**
2006-2008 RRIM Adjustment	($1,200,000)	($1,200,000)
Total Payment	**$2,640,414**	**$2,675,481**

45 CPUC ESPI website, "2016 SDG&E EAR Performance True Up"

4. Southern California Gas (SoCalGas)

The Commission approves an incentive amount of $618,545 for SoCalGas, which is $37,079 less than their requested amount of $655,624. SoCalGas shall be paid incentives for their 2016 and 2017 C&S advocacy programs.

Codes & Standards Advocacy in 2016 and 2017

In May 2018, the Commission found in D.18-05-041 that SoCalGas had not used ratepayer funds to advocate for more stringent but cost-effective C&S, despite the Commission's clear intent for the funds. Based on the potential for misuse of ratepayer funds, the Commission determined that SoCalGas' involvement in C&S should be limited to the transfer of funds to the statewide C&S lead for program implementation. Because the scope of the proceeding was limited to the 2018-2025 business plan period, D.18-05-041 declined to apply the limitation or impose penalties.[46]

Consistent with the going forward nature of the C&S advocacy limitation, it would be inappropriate to deny otherwise permissible incentives prior to 2018. Furthermore, SoCalGas was allowed rate recovery of 2016/2017 C&S expenditures via Public Purpose Surcharge Rate advice letter filings, subject to audit verification and adjustment.[47] Commission Staff did not find evidence that any party filed a protest challenging SoCalGas' rate recovery of 2016/2017 C&S advocacy expenditures. Since the expenditures were allowed rate recovery, and the C&S advocacy programs ESPI award is a management fee (fixed percentage) of the expenses incurred by the IOU, we decline to deny the associated incentives. Accordingly, Cal Advocates' request to deny C&S advocacy program incentives for 2016 and 2017 is denied.

Category-Specific Adjustments

SoCalGas' submitted program savings and expenditures were both modified based on the adjustments listed earlier. SoCalGas' official annual CEDARS filing was higher for

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[46] D.18-05-041, at 144, 181 [Conclusions of Law Numbers 76 & 77]

[47] Energy efficiency budgeted expenses are recovered via Public Purpose Program Surcharge rates advice letter filing. SoCalGas filed the following advice letters seeking approval of EE expense rate recovery: 4884-G (2016 budgeted expenses; approved December 22, 2015), 5053-G (2017 budgeted expenses; approved December 14, 2016), 5212-G (2018 budgeted expenses; approved December 28, 2017) and 5374-G (2019 budgeted expenses; approved December 13, 2018). All advice letters were approved, and no protests were filed.

Program ID SCG3707 by $88,753 than their ESPI Advice Letter. **The Commission Staff used the annual CEDARS filing to calculate the awards.**

SoCalGas requests $655,624 in their 2018 ESPI Advice Letter as detailed below:

1.1 Energy Efficiency Resource Savings

- 2016 Ex-Post Energy Savings

The Commission accepts SoCalGas' adjustment of $20,763.

ESPI Component	2016 Cap*	Requested	Approved
2016 Ex-Post Savings	$4,323,800	$1,136,886	$1,136,886

*2016 Savings award Cap minus 2016 Ex-Ante Savings Awards Earned in 2017

SoCalGas proposed an adjustment for pre-2016 Home Upgrade Program (HUP) claims to the Performance Statement Report amounting to $20,763 in awards. SoCalGas requests that shared claims with SCE with pre-2016 installation dates be included in the basis for its ESPI 2016 Ex-Post Savings award as they were paid in 2016 and comply with the Commission direction. The Performance Statement denied these records on the basis that they were reported in 2015, but after further review, the Commission accepts this adjustment.

- 2017 Ex-Ante Energy Savings

ESPI Component	2017 Cap	Requested	Approved
2017 Ex-Ante Savings	$4,453,120	$188,272	$188,272

1.2 Ex-Ante Review (EAR) Process Performance

SoCalGas' award was reduced by the excess DINI and ME&O expenditures (see section 3) c). SoCalGas' 2017 EAR Performance score was weighted by their deemed and custom savings (see section 5).

ESPI Component	2017 Cap	Requested	Approved
2017 EAR Performance	$1,484,373	$663,025	$626,844

1.3 Codes and Standards (C&S) Advocacy Programs

SoCalGas' award was approved as requested.

ESPI Component	2017 Cap	Requested	Approved
2017 C&S Advocacy	$91,293	$91,293	$91,293

1.4 Non-Resource Programs

ESPI Component	2017 Cap	Requested	Approved
2017 Non-Resource	$376,441	$285,866	$285,748

SoCalGas' award was reduced by excess ME&O expenditures.

1.5 True Ups

Component	Requested	Approved
2016 Ex-Ante Savings True Up	-	-
2016 EAR Performance True Up	($5,281)	($5,705)
2016 Codes & Standards True Up	($317)	($343)
2016 Non-Resource True Up	($4,120)	($4,451)
2006-2008 RRIM Adjustment	($1,700,000)	($1,700,000)

The 2016 true ups include SoCalGas' weighted average cost of capital.

SoCalGas' final 2018 award values including all adjustments are shown below:

Table 16: SoCalGas 2018 ESPI Awards

Component	Requested	Approved
2016 Ex-Post Savings	$1,136,886	$1,136,886
2017 Ex-Ante Savings	$188,272	$188,272
2017 Ex-Ante Review Performance	$663,025	$626,844
2017 Codes & Standards	$91,293	$91,293
2017 Non-Resource	$285,866	$285,748
2016 Ex-Ante Savings True Up	-	-
2016 EAR Performance True Up	($5,281)	($5,705)
2016 Codes & Standards True Up	($317)	($343)
2016 Non-Resource True Up	($4,120)	($4,451)
Award for PY 2016 and 2017	**$2,355,624**	**$2,317,517**
2006-2008 RRIM Adjustment	($1,700,000)	($1,700,000)
Total Payment	**$655,624**	**$618,545**

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days' public review and 20-day comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this Resolution was neither waived nor reduced. SCE, SoCalGas, and Cal Advocates timely submitted comments to the draft Resolution. Below are the issues raised in comments.

SoCalGas' awards for 2016 and 2017 C&S advocacy program expenditures

Cal Advocates requests that the Commission deny SoCalGas an ESPI award for their PY 2017 C&S advocacy programs, and true up to zero SoCalGas' ESPI award for their PY 2016 C&S advocacy programs. Their request is caused by the D.18-05-041 finding, cited in the IOU-Specific Adjustments section's SoCalGas subsection above, that SoCalGas had not used ratepayer funds to advocate for more stringent C&S. Cal Advocates disagrees with two reasons for which we allowed the C&S advocacy programs awards.

The first reason for which we allowed the rewards is that they are a management fee based on C&S expenditures, and we allowed SoCalGas rate recovery of those expenditures in 2016 and 2017. Cal Advocates argues that the Commission created the management fee to use expenditures as a proxy for IOU effort in support of more stringent C&S. Cal Advocates concludes that since SoCalGas' efforts were against the intent of the ESPI award, it does not merit an award. Cal Advocates further states that the Commission does not have to give SoCalGas this award, as demonstrated by other Draft Resolution sections that adjust claimed awards amounts.

The second reason is that, consistent with the going forward nature of the C&S advocacy limitation in D.18-05-041, it would be inappropriate to deny otherwise permissible incentives prior to 2018. Cal Advocates argues that, unlike the forward-looking scope of D.18-05-041, the Draft Resolution's scope is evaluating past performance and determining whether to grant IOU award claims, so it would be appropriate to deny the incentives here.

We have discussed both these issues in the dicta of this Resolution and will not reiterate here. Standing Commission direction regarding the ESPI award should be followed until such time as the Commission decides to modify the ESPI mechanism.[48]

Addressing concerns with UAFCB audits in the audit review process

SCE in their comments asks that OP 10 be changed to avoid limiting "the Commission's independent authority to address and resolve all legal and policy issues, including ESPI-related disagreements which may arise between the UAFCB and the IOUs." SCE is concerned that this limits the Commission's authority to resolve any such disagreements that remain after the UAFCB audit stakeholder review process.

We believe the Commission's authority in this matter is inherently clear, and that no clarification to OP 10 is needed. That said, IOUs that disagree with the UAFCB draft audit reports should clearly communicate their reasons during that stakeholder review process, so that changes may be made in the final audit reports. As stated in Decision D.13-09-023, we rely on the UAFCB's reports to verify non-resource and C&S advocacy program expenditures.

FINDINGS

1. There is inconsistency among the IOUs' Coefficient Advice Letter filings regarding assignment of program categories to calculate the Earnings Coefficients.
2. There is a need to clarify which program categories should be used by IOUs to compute annual Earnings Coefficients considering recent changes to fund-shifting rules that do not require IOUs to seek approval for moving budgets among programs.
3. Finance Programs categorized as resource programs per D.13-09-023 have reported no savings since the first program was approved in 2006.
4. Inclusion of resource programs with or without energy savings increases award amounts because their budgets increase the Earnings Coefficients.

[48] D.13-09-023, OP 15: "The Codes and Standards (C&S) Management Fee shall be calculated and paid as a management fee equal to 12% of C&S program expenditures, not to exceed authorized expenditures, incurred in each program year."

5. There is a need to further research the appropriate application and reasonableness of including no-savings resource program budgets and expenditures for the ESPI awards mechanism.

6. Ex-ante review (EAR) performance scores must be weighted based on the proportion of savings attributed to deemed and custom measures in each IOU's portfolio.

7. The Commission Staff will continue to release deemed and custom EAR performance scores in the final EAR performance memos by March 31st of each year.

8. The expansion of the 2017 Uncertain Measure list resulted in reduced ex-ante savings for PY 2017 (PY+1), and may result in increased ex-post savings for PY 2017 (PY+2).

9. The Commission Staff rely on official annual CEDARS filings to review approved budget and expenditure data.

10. There were discrepancies between ESPI Advice letter filings and official annual CEDARS filing data; therefore, the IOUs shall inform Commission Staff if any information sought in the guidance template will result in a discrepancy with their official CEDARS filings.

11. The current ESPI mechanism does not provide an insight into whether certain programs show larger energy savings as a result of higher Marketing, Education and Outreach and Direct Implementation Non-Incentive expenditures.

12. The IOUs did not resolve all disagreements or confusion with the UAFCB audit reports during those reports' stakeholder review process.

13. UAFCB used data from the Commission's Energy Efficiency Statistics website, www.eestats.cpuc.ca.gov ("EE Stats"). For program years for which official annual claims data are available in CEDARS, UAFCB is encouraged to use those instead of the "EE Stats" reports for annual utility energy efficiency audits.

14. The current ESPI Guidelines do not ask for a breakdown of expenditures by all past budget year funding sources.

15. D.18-05-041 declined to apply the limitation or impose penalties on SoCalGas following Cal Advocates' protest on issues of alleged misuse of ratepayer funds for C&S advocacy work.

16. SoCalGas was allowed rate recovery of 2016/2017 C&S expenditures via Public Purpose Surcharge Rate advice letter filings 5212-G and 5374-G, subject to audit

verification and adjustment. Staff did not find evidence that any party filed a protest challenging SoCalGas' rate recovery of 2016/2017 C&S expenditures.

17. The C&S advocacy programs ESPI award is a management fee (fixed percentage) of the expenses incurred by the utility.
18. Evidence submitted by SoCalGas suggests that SoCalGas' pre-2016 Home Upgrade Program claims were not reported in 2015 and it is reasonable to accept the claim amounts.
19. There is a need to develop consistent rules for filing administrative expenditures.
20. It is appropriate to modify the IOUs' requested awards based on the adjustments detailed in this Resolution.

THEREFORE, IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company (PG&E) for ESPI awards as made in Advice Letter 4044-G/5430-E is approved with modifications to the original request as listed herein. PG&E is awarded $12,051,754 in 2018 ESPI incentives.

2. The request of Southern California Edison Company (SCE) for ESPI awards as made in Advice Letter 3901-E is approved with a modification to the original request as listed herein. SCE is awarded $10,574,269 in 2018 ESPI incentives.

3. The request of San Diego Gas & Electric Company (SDG&E) for ESPI awards as made in Advice Letter 3307-E/2722-G is approved with modifications to the original request as listed herein. SDG&E is awarded $2,675,481 in 2018 ESPI incentives.

4. The request of Southern California Gas Company (SoCalGas) for ESPI awards as made in Advice Letter 5386-G is approved with modifications to the original request as listed herein. SoCalGas is awarded $618,545 in 2018 ESPI incentives.

5. Energy Division Staff shall work with the Assigned Commissioner Office and Assigned Administrative Law Judge to determine how to clarify which program categories should be used by IOUs to compute the ESPI earnings rates and awards.

6. For use in their ESPI Advice Letters, the IOUs shall calculate weighted total ex-ante review performance scores using the methods described herein.

7. The IOUs must use the guidelines for 2019 ESPI Advice Letters as a template for their 2019 ESPI Advice Letter submissions.

8. The IOUs shall file a Tier 1 Advice Letter by August 1, 2019 calculating the earnings rates and award caps for program year 2018. The submission must include a comprehensive list of the utilities' energy efficiency programs and budget placements in accordance with the 2019 ESPI guidelines.

9. The IOUs shall clearly explain in their ESPI advice letter filings when there are discrepancies between their reported budgets and expenditures in their ESPI advice letter filings and their official California Energy Data and Reporting System (CEDARS) filings for the relevant years.

10. The IOUs shall raise all concerns with the Utility, Audit, Finance and Compliance Branch reports during the audit stakeholder review process that results in the final reports. Concerns will not be investigated within the ESPI Resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 12, 2019; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director